

1998 Annual Report

SOLID
RESOURCES LTD.



Table of Contents



Wireline job off shore, Tunisia

CORPORATE PROFILE	2
FINANCIAL HIGHLIGHTS	2
PRESIDENT'S MESSAGE TO THE SHAREHOLDERS	5
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
MANAGEMENT'S REPORT TO THE SHAREHOLDERS	9
AUDITORS' REPORT TO THE SHAREHOLDERS	9
CONSOLIDATED BALANCE SHEET	10
CONSOLIDATED STATEMENT OF OPERATIONS & DEFICIT	11
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION	12
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	13
FIVE YEAR STATISTICAL SUMMARY	22
MAP OF THE HART PROPERTY	23
CORPORATE INFORMATION	24

Corporate Profile

History

Solid Resources Ltd. ("Solid") was incorporated in 1986. Solid is a public company listed on the Alberta Stock Exchange (trading symbol - SRW).

Solid commenced business when it acquired several established Alberta based wireline service companies. Those companies, operating as Solid Wireline Services, were originally established in 1976. Since then, Solid acquired and assimilated a number of other operations to become one of the largest slickline wireline and well testing companies in Canada. On July 8th, 1997, Solid reorganized its domestic oil and gas well service operations as Solid Production Services Ltd. ("Solid Production"), a wholly-owned subsidiary of Solid.

Commencing in 1990, Solid began initiatives into the international arena. It successfully sold gas plants to the Yakutsk Republic in 1992 and metering units to Russia in 1997. In 1996 it established a base in Tunisia. Over the last four years, Solid has also done work in the United States, Venezuela and Algeria.

In 1995 Solid became involved in the Hart mineral claims in the Northwest Territories. From that time through 1998, Solid acquired a 49% interest in the property while exploring the property and proving up considerable reserves.

Canadian Operations

Solid Production's current scope of domestic operations includes both wireline and well testing contract services. These services are provided to the Canadian oil and gas industry, where they are required to service, monitor and maximize the production and profitability of producing oil and gas wells.

i. Wireline Services Division

Solid Production performs a wide variety of ("slickline") mechanical wireline service operations such as bottomhole pressure surveys, running and pulling of various downhole flow control equipment, sub-surface safety and

Financial Highlights

	CONSOLIDATED		CANADIAN SERVICE OPERATION	
(\$ Thousands except for ratio and share data)	1998	1997	1998	1997
Financial Results				
Revenue	\$ 12,580	\$ 10,670	\$ 12,180	\$ 9,234
Gross Profit Contribution	\$ 4,444	\$ 3,267	\$ 4,763	\$ 3,229
Net Earnings (Loss)	\$ 234	\$ (1,239)	\$ 186	\$ 24
Cash Flow from Operations*	\$ 626	\$ 152	\$ 2,228	\$ 1,291
Financial Position				
Total Assets	\$ 11,189	\$ 9,038	\$ 7,944	\$ 6,738
Working Capital Ratio	1.1:1	1.0:1	1.3:1	1.1:1
Total Debt to Equity Ratio**	1.1:1	1.4:1	1.2:1	1.4:1
Per Share				
Earnings (Loss)	\$ 0.04	\$ (0.23)	\$ 0.03	\$ 0.01
Cash Flow	\$ 0.11	\$ 0.03	\$ 0.39	\$ 0.23

* Cash Flow from Operations for the Canadian Service Operation does not reflect charges from the parent company.

** Net advances from parent are included as Equity in calculating Debt to Equity for Canadian Service Operation.

gas-lift valves. The oil and gas production industry is universally dependent upon slick-line services during the completion and production life of oil and gas wells. Solid Production's wireline well servicing fleet consists of 18 fully equipped mobile wireline service vans, 7 helicopter wireline service

skid units and 12 mobile "picker" or crane units. Solid Production has 7 field service bases strategically located in western Canada. From shallow, sweet gas to deep, high-pressure sour applications, Solid Production has the personnel, equipment and up-to-date technology to match the task. Data acquisition services include both mechanical and a variety of electronic memory recording bottom hole pressure gages. In-house technical support services include complete electronic data transmission, processing and reporting capabilities provided for the benefit of our customers.

ii. Well Testing Division

Solid Production has 23 well testing separator units within its domestic service fleet, including trailer-mounted two-phase cold testing units, three-phase heated units for both sweet and sour service, and larger pressure tank systems for newly stimulated gas well flowback production tests. Complete well testing services are available from 3 field service base locations. Solid Production's customers use this equipment as temporary production testing facilities mainly for newly completed and re-completed oil and gas wells. Manned by Solid Production well testing crew personnel, our well testing service units provide Solid Production's customers with production test information used to determine well productivity and reserves estimates.

iii. Technical Services

Oil and gas well production tests typically involve the concurrent acquisition of both surface flow and bottomhole pressure data; both of which can be provided between Solid Production's well testing and wireline service divisions. Solid



L to R: Alvin Harter, CEO, Directors Bruce Sansom and Harry McKinders with Wireline truck for Anadarko contract, Algeria.

Production's production testing and data acquisition capabilities also include electronic systems designed and built by Solid Production. These highly portable data gathering, processing, and transmission systems enable Solid Production to provide its customers with readily available, high quality tabular and

graphical production test data reports, both onsite and off, via modem or fax link. Our Wellsite Datalogger System and Fieldnotes Data Management package offers a safe, accurate and comprehensive well testing data acquisition service. Production logging services provide the well owner with a variety of information concerning active production and injection wellbores, including the identification of downhole mechanical problems such as tubing or casing leaks, behind-pipe fluid channeling, the location of lost circulation zones and cement tops, and the identification of contributing and non-contributing completion intervals. Production logs also provide information on reservoir fluid saturation distributions, and whether the producing reservoir is being depleted in the desired manner.

iv. Industry Conditions

For the current year, domestic drilling activity is presently down from last year and overall is projected to be 30% less. The reduction in exploration has been almost entirely in the search for oil (particularly heavy oil), and in fact many oil & gas companies have shifted their budgets to gas exploration. Likewise, oil production is expected to be down and gas production up. This is a favourable trend for Solid Production, as historically the source of Solid's revenues has averaged 75% gas and only 25% oil (0% from heavy oil).

Solid Production's customer base consists primarily of oil and gas exploration and production companies. Demand for the Company's services, and hence its revenues and earnings are affected by changes in the level of oil and gas exploration and development activity, which in turn are based upon many factors over which Solid Production has no control. These factors

...continued on next page

include the stability of market pricing for oil and gas, the levels of drilling activity and other related factors that influence oil and gas industry business activity levels. While the majority of Solid Production's competitors in the Canadian oilfield service industry provide either wireline or well testing services only, the Company competes with a lesser number that provide equipment and service capability in both specialties. Thus, like the fewer number of companies that offer both services as a total service package approach, Solid Production maintains the competitive advantage gained in being able to provide packaged wireline and well testing services that result in cost savings and easier service coordination for the customer.

Overall Canadian market conditions are expected to continue to exhibit the same cyclic nature that has prevailed in the oil and gas service sector for many years. The past two years have presented progressively improving financial performance results for Solid, following a pivotal year in which the Company's international servicing operations were launched. Solid Production's oil and gas service operations are continuing at high activity levels during the current year; and in spite of near-term oil price softening, the continuing rapid expansion occurring in the North American gas pipeline infrastructure presents a positive longer term outlook for the Company.

International Operations

Between 1990 and 1994 management undertook initiatives to move Solid into the international arena to diversify the Company's oil and gas service business. Offshore markets were sought to enable the Company to balance the ongoing cyclic nature of the Canadian oil and gas industry with a business presence in growing international markets.

Solid has an established base in Tunisia, equipped with two wireline/data acquisition equipment packages. Since year-end that base has been expanded with the addition of two well testing packages. Already the Group has more well test work than can be handled and plans are being made for another package.

Following year-end the Solid Group signed a joint venture agreement with Entreprise de Services aux Puits ("ENSP"), a subsidiary of Sonatrach, the Algerian state energy company. The joint venture will provide wireline, well testing, and production logging and data acquisition services in the oil and gas fields

of southern Algeria. Initially Solid will provide two wireline and two well testing packages to the joint venture, but this number will increase as the joint venture becomes established and starts to assert itself in the market. The joint venture's affiliation with ENSP ideally positions it to capture a significant market share. Much of the equipment that Solid is shipping overseas is equipment that was idle in Canada. By re-deploying it, not only will it be productive again, but because of favourable market conditions in North Africa it will make a greater contribution to the Company.

Solid continues to have a presence in Venezuela. Although in the short term there is some uncertainty in that market, the Company is poised to take advantage of opportunities as conditions dictate. Beyond service work, Solid also continues to seek and take advantage of opportunities for equipment sales throughout the world.

Solid's international operations face the risk of fluctuating currency values and exchange controls. To limit this risk, Solid has negotiated for and received payment in U.S. dollars for its international contracts.

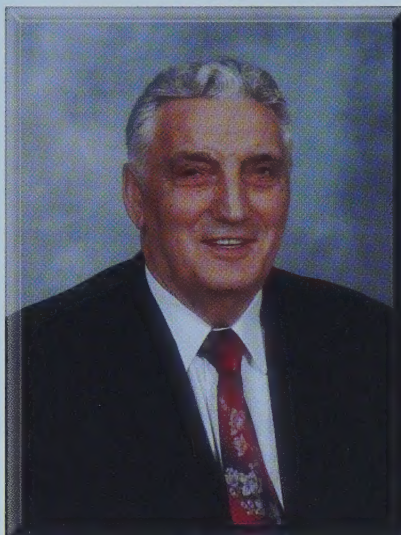
Mining Exploration & Development

In 1995 Solid became involved in the exploration of a volcanogenic massive sulfide deposit on mineral leases and recorded claims totaling 8,890 acres (known as the "Hart Project"), located in the Northwest Territories. Additional drilling was completed this past winter with geological sampling and mapping continuing through the spring and summer of 1998. Several new anomalies were discovered and consequently, an aggressive drilling program is anticipated for the winter of 1998/99.

This property has three potential mines on it. The "C" Zone which was explored initially, the "M" Zone and the Kryon Lake - Amacher Lake claims. Drill results to date, based on limited exploration, indicate ore reserves (principally zinc and silver) of \$248 million in the "M" Zone. These reserves are classified as drill proven and probable and were last valued in June of 1997. As the ore body is open on strike and at depth (we have not yet found its limits), the potential is for much more. Based on today's depressed mineral prices and only the known reserves, this property could potentially be mined and produce an estimated profit after all costs of \$62 million over a four year period.

President's Message to the Shareholders

Fiscal 1998 was a significant year for Solid Resources Ltd. It was a turn-around year for the Company, where we continued our upward trend showing a small profit after tax following two years of sizeable losses. Solid's Canadian service operation had an excellent year. The Company's overseas initiatives are now focused and paying dividends. Last, but certainly not least, Solid has further explored its mining property and results continue to indicate the potential presence of a world class ore body with very large tonnage possibilities for Zinc and Silver.



Alvin A. Harter

Solid Production Services Ltd.

During the year, Solid underwent a corporate reorganization of its domestic operations. The previous structure was a hangover from the original acquisition of the Company, was complicated and no longer served its intended purpose. Thus the previous entities were wound up and the assets and domestic operations were rolled into Solid Production Services Ltd. During 1998, Solid Production also reorganized its banking arrangements, switching to the National Bank, which has proven to be a strong supporter. Improved banking facilities also contributed to the Company's success.

This operation had sales of \$12.2 million, a gross profit margin of 39%, and generated pre-debt service and inter-company charge cash flow of \$2.2 million. This success in 1998 was attributable in part to a robust industry, but also to the hard work and dedication of Solid's employees. Because revenues are weighted towards gas activity, we project Solid Production will have a similar year to last year. For fiscal 1999 sales, profits and cash flow are only projected to be slightly less.

International Operations

Anticipating the eventual softening of the domestic markets, Solid made a decision a number of years ago to diversify geographically. We explored various possibilities of entering a joint venture for the Venezuelan market. Ultimately we were successful in signing a memorandum of understanding with one of the leading engineering firms in Latin America. However, the global slow down and decline in oil prices, has prompted

Solid and its joint venture partner to agree to hold off on any significant initiative until the industry in Venezuela stabilizes, and that country has its presidential elections and its political direction is known. In the meantime we are now focusing our efforts on North Africa.

We established a small presence in North Africa (based in Tunisia), which eventually led to the Solid Group securing a lucrative two-year contract with a subsidiary of Anadarko Petroleum of Houston. This contract enables us to put to work equipment that was idle in Canada and to earn many times the rates and profits that can be earned

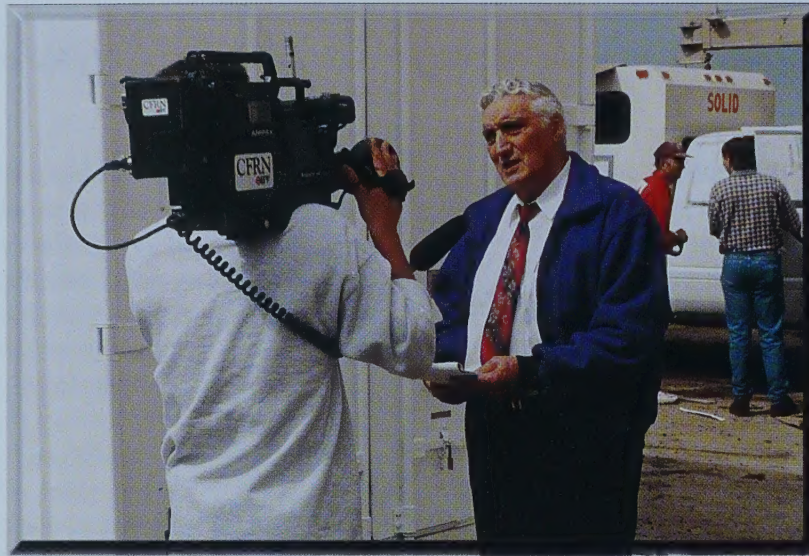
in Canada. Solid's demonstrated quality of performance in Canada and Tunisia, its responsiveness and flexibility compared to the industry giants and its leading edge technology is resulting in further offers of work from major international oil & gas producers throughout North Africa. Recently, the Solid Group signed an exclusive joint venture agreement with a government owned service company in Algeria. I believe the potential in this rapidly expanding market is for the scope of operations to exceed that in Canada within two years.

The cost to enter international markets has been high. Fortunately, most of that expenditure is behind us. Solid finished last year with its international operations breaking even. Within a year we expect to have international operations cover a proportionate share of corporate overhead and generate a reasonable profit. In two years, I believe our profits and cash flow should be greater than what we are able to generate from the domestic market.

3-Phase Mobile Metering Unit

As part of our drive to diversify, Solid developed in alliance with a Canadian engineering firm, a proprietary design mobile 3-Phase Well Metering Unit. The World Bank chose this unit for sale to Russia in 1997 based on its state of the art technology, which provides greater accuracy than competing technology. Our plan had been to sell these metering units internationally, but over the past year two factors caused us to revise that plan. First, there was the rapid decline in the political and economic environment in Russia, which had been identified as a major

...continued on next page



Alvin Harter being interviewed by CFRN TV regarding equipment going to Algeria

market for the sale of metering units. Second, we became aware through our marketing efforts that there was far greater profit potential in renting and operating the units than there was in selling the units. Consequently, our marketing thrust shifted. We presently have contracts for two metering units, but we have sufficient work for five units and inquiries for more. The limiting factors in how many units we can build and put into operation will be our ability to finance them and to hire and train qualified operators. We are exploring a number of different financing options.

Hart Mineral Property

During fiscal 1998 Solid acquired an additional interest in the Hart Project and now owns 49%. Since year-end, Solid has negotiated an option to acquire the other 51% of the property. Over the summer, the Company did geological mapping, geophysical surveys and geochemical testing on the Kryon Lake - Amacher Lake claims. Over zones of 2.5 kilometers, significant results were obtained, with surface zinc/silver assays of up to 600 ppm and copper assays of up to 0.59% respectively. All indications are that we have a major ore body on this part of the property. This is in addition to the already proven reserves in the "M" Zone. Our winter drilling program commenced in late November.

Summary

Your Company has worked hard to create value for its shareholders.

It identified the inherent limiting factors in the Canadian oilfield servicing markets. For earnings and share prices to increase significantly, Solid had to diversify its business, its scope of operations and its geographic locations. The current slow down in the Canadian domestic market evidences the soundness of this strategy. We have capitalized on the international experience and expertise of our oilfield service people in successfully establishing an offshore base of operations. Revenues and

profits from international wireline and well servicing contracts signed to date should produce net earnings many times more than what Solid has been able to achieve in the Canadian market. The metering units alone have the potential to match those earnings.

Solid has also capitalized on my personal experience and expertise in mining, which has resulted in Solid owning part of a mining property that could ultimately prove to be one of the largest mines in the world. This interest alone justifies a share value well in excess of the current market price.

Solid's ability to realize the potential from each of these opportunities is restricted only by its ability to obtain required financing. Further exploration of the Hart property is being, and will continue to be, financed through the issuance of flow-through shares. Financing for offshore activities to date has been through borrowings and the private placement of shares. Both sources continue to be available, although not to the extent necessary to take full and immediate advantage of the opportunities available. Consequently, international expansion to date has been slow and methodical. We can continue at this pace and in short order further expansion will be self-financing through the cash flow from international operations. Nevertheless, we are seeking to do a major refinancing to provide the capital to accelerate this expansion program.

I believe this is going to be a breakthrough year for Solid. I believe we will get the results we are expecting from our drilling program and that we will be earning sizeable profits from our overseas operations. The shareholders of Solid Resources will be rewarded for their patience and support of the Company.

Alvin A. Harter
President and Chairman

Management's Discussion and Analysis

Results of Operations

During the year the Company incurred a pre-tax loss of \$193 thousand compared to a pre-tax loss of \$1.45 million the year before. A current tax recovery of \$20 thousand and a deferred tax reduction of \$407 thousand resulted in net income for the year of \$234 thousand compared to a net loss of \$1.24 million in fiscal 1997.

Cash generated from Canadian service operations (excluding the change in non-cash working capital balances) was \$2.23 million before parent company charges. This was a significant improvement from the \$1.29 million of the year before. Consolidated cash from operations amounted to \$626 thousand, a meaningful improvement over the \$152 thousand generated the prior year.

The improved results this year were due primarily to a robust domestic market, as expected, which helped to push Canadian revenues from \$9.23 million in 1997 to \$12.18 million. Investments made previously in expanding the well testing division, refurbishing the wireline fleet, and in data gathering equipment allowed the Company to take advantage of the higher market demand during the year. International revenues, however, fell from \$1.44 million to \$400 thousand. The difference was due to the sale of 3 mobile 3-phase well metering units for \$1.0 million into the Russian market during 1997. This was not repeated this year due to the beleaguered state of Russia's economy.

During the year the Company reduced its operations in Venezuela because of a downturn in that market. However, this was offset by a growing and improving operation in Tunisia, North Africa.

The gross margin from Canadian service operations increased from 35% to 39% as a result of the strong demand in the industry. Correspondingly the consolidated gross margin rose from 31% to 35%. Consolidated administration and general expenses remained relatively constant at \$3.16 million compared



Wireline with desert tires prior to shipment to Algeria.

later in the year.

Total interest increased from \$389 thousand to \$682 thousand. Included in the \$293 thousand increase are: \$27 thousand related to increased bank indebtedness; \$73 thousand of financing costs; and \$193 thousand related to term debt. Additional debt financing was required to support the Company's international diversification effort. Notwithstanding the additional debt, the Company's capital structure remains sound as discussed below.

Liquidity and Capital Resources

Improved domestic performance coupled with better results from international operations resulted in cash generated from operations (excluding the change in non-cash working capital balances) of \$626 thousand compared to \$152 thousand the year before. Bank indebtedness at the year-end was higher by \$854 thousand because of the need to support a higher accounts receivable balance, the result of higher domestic revenues. Working capital, however, improved to \$419 thousand from \$145 thousand. Working capital is expected to improve in the future as international operations become self-sufficient and require less support from domestic operations.

During the year the Company increased its interest in the Hart mineral property to 49% by investing an additional \$593 thousand in exploration expenditures. These expenditures were funded by the issuance of common shares pursuant to flow through arrangements.

The Company also invested an additional \$1.28 million in capital assets in order to maintain its ability to compete effectively in

to \$2.97 million last year. The slight increase was required to support the higher domestic revenues. There was a reduction in depreciation expense to \$0.91 million from \$1.35 million because of lower average net book values throughout the year as the majority of capital expenditures were made

...continued on next page

wireline services and to take advantage of increasing opportunities in well testing and data acquisition services. These expenditures were funded by a combination of additional debt financing and additional share capital.

During the year, the Company secured \$775 thousand of additional term debt in excess of scheduled repayments (including repayment of promissory notes) and obtained additional share capital of \$1.20 million as described in note 13 to the financial statements.

The Company is in sound financial condition with working capital as described above and a capital structure comprised of 53% debt, 47% equity and a debt to equity ratio of 1.1:1.

Year 2000 Issue

The Company is aware of the risks associated with the inability of some computer systems to recognize the year 2000 and the potential impact of non-compliance by the Company, its customers, its suppliers, and other third parties. The Company has evaluated its own systems and equipment and believes that it will be compliant from an internal standpoint. The Company is unable to fully assess the compliance of third parties but has discussed and will continue to discuss the issue with such parties in order to develop strategies for dealing with potential risks.

Business Outlook

Solid's strategy is to maintain its strength in its Canadian service operations through effective marketing, cost control, efficient asset utilization, and pursuit of profitable opportunities while diversifying internationally to counter the cyclical nature of the domestic market. Management plans to continue its



Solid's mobile production metering unit, one of three sold to Russia under a World Bank contract.

program of upgrading and replacing equipment as necessary to enhance efficiency and competitiveness.

The decline in the price of oil during the second half of fiscal 1998 has resulted in reduced oil exploration and development (particularly in heavy oil) during fiscal 1999. However, the impact on the Company is not expected to be material as producing oil wells still require servicing and exploration and

development of conventional oil will continue albeit at reduced levels. More significantly, 75% of domestic revenue is generated from natural gas well servicing. Expected stability in the price of natural gas and a reallocation of industry resources from oil to gas should contribute to strength in this sector. The Company is, therefore, expecting domestic results for fiscal 1999 to be similar to fiscal 1998.

The Company has to date developed a management team with significant international experience and contacts. This advantage has been utilized to establish operations in Tunisia and Algeria. Because of much lower costs of production, the North African markets are far less susceptible to price fluctuations than the domestic market. Our operations there are expected to generate reasonable profits over the coming two fiscal years with the possibility of significantly greater returns with proper financing in place, especially from Algeria.

Overall, management is confident that domestic operations will continue to be profitable and that our investment in North Africa will pay large dividends. As well, we continue to expect positive results from the continuing exploration of the Hart mineral property.

Management's Report to the Shareholders

The accompanying consolidated financial statements of Solid Resources Ltd. were prepared by management in accordance with accounting principles generally accepted in Canada. Financial information presented throughout the annual report is consistent with that shown in the consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

KPMG, an independent firm of chartered accountants appointed by the shareholders, has examined the consolidated financial statements. The Audit Committee has reviewed the consolidated financial statements with management and the auditors and has reported to the Board of Directors which has approved the financial statements.

Alvin A. Harter

Alvin A. Harter,
President and Chairman of the Board

Steve Cribb

Steve Cribb,
Vice-President, Finance

Edmonton, Canada, August 13, 1998



Wireline job in progress on an oilwell.

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Solid Resources Ltd. as at April 30, 1998 and 1997 and the consolidated statements of operations and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit

includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 1998 and 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

KPMG

Chartered Accountants

Calgary, Canada
August 13, 1998

Consolidated Balance Sheet

AS AT APRIL 30

	1998	1997
ASSETS		
Current Assets		
Accounts receivable	\$ 3,648,585	\$ 2,664,054
Inventories (Note 4)	379,559	320,068
Prepaid expenses and deposits	263,197	229,233
	<u>4,291,341</u>	<u>3,213,355</u>
Deferred Exploration Costs (Note 5)	2,921,544	2,328,934
Property and Equipment (Note 6)	3,887,681	3,408,642
Due from Joint Venture Participant (Note 8)	88,453	86,777
	<u>\$ 11,189,019</u>	<u>\$ 9,037,708</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness (Note 9)	\$ 1,444,418	\$ 590,396
Accounts payable and accrued liabilities	1,322,553	1,902,178
Income taxes payable	77,672	-
Promissory notes payable (Note 10)	75,000	125,000
Current portion of long-term debt (Note 11)	952,366	450,849
	<u>3,872,009</u>	<u>3,068,423</u>
Long Term Debt (Note 11)	2,046,837	1,723,002
Deferred Income Taxes	-	407,000
Shareholders' Equity		
Share capital (Note 13)	8,282,538	7,085,533
Currency translation adjustment	50,336	50,336
Deficit	(3,062,701)	(3,296,586)
	<u>5,270,173</u>	<u>3,839,283</u>
Contingency and commitments (Note 12)		
Subsequent event (Note 18)		
	<u>\$ 11,189,019</u>	<u>\$ 9,037,708</u>

See notes to the consolidated financial statements.

Signed on behalf of the Board



Director



Director

Consolidated Statement of Operations and Deficit

YEARS ENDED APRIL 30

	1998	1997
Revenue	\$ 12,580,480	\$ 10,670,316
Cost of sales	8,136,434	7,402,741
	4,444,046	3,267,575
Expenses		
Administration and general	3,155,736	2,973,341
Depreciation	907,206	1,349,695
Interest on long-term debt	500,791	234,951
Interest and bank charges	181,184	154,371
	4,744,917	4,712,358
Loss before the undernoted	(300,871)	(1,444,783)
Other Income		
Gain (loss) on sale of equipment	107,756	(1,443)
Loss before income taxes	(193,115)	(1,446,226)
Income taxes		
Current (recovery)	(20,000)	(247,000)
Deferred (reduction)	(407,000)	40,000
	(427,000)	(207,000)
Net income (loss)	233,885	(1,239,226)
Deficit, beginning of year	(3,296,586)	(2,057,360)
Deficit, end of year	\$ (3,062,701)	\$ (3,296,586)
Earnings (loss) per share	\$ 0.04	\$ (0.23)

See notes to the consolidated financial statements.

Consolidated Statement of Changes in Financial Position

YEARS ENDED APRIL 30

	1998	1997
OPERATING ACTIVITIES		
Net earnings (loss)	\$ 233,885	\$ (1,239,226)
Add (deduct) items not affecting cash		
Depreciation	907,206	1,349,695
(Gain) loss on sale of equipment	(107,756)	1,443
Deferred income taxes (reduction)	(407,000)	40,000
	626,335	151,912
Changes in non-cash working capital		
balances relating to operations	(1,579,939)	(1,557,377)
	(953,604)	(1,405,465)
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,603,179)	(1,054,874)
Proceeds on disposal of equipment	324,690	26,200
Investment in mineral resource properties	(592,610)	(808,345)
Issue of share capital for capital assets	154,005	770,000
	(1,717,094)	(1,067,019)
FINANCING ACTIVITIES		
Advances (to) from joint venture participant	(1,676)	45,477
Increase in long term debt	2,415,078	1,433,708
Repayment of long term debt	(1,589,726)	(436,250)
Issue of share capital for cash	1,043,000	761,632
Issue of share capital for non-cash consideration	-	280,000
Proceeds of share capital issue collected	-	850,000
Promissory notes payable	(50,000)	(565,988)
	1,816,676	2,368,579
Net cash outflow	(854,022)	(103,905)
Bank indebtedness, beginning of year	(590,396)	(486,491)
Bank indebtedness, end of year	\$ (1,444,418)	\$ (590,396)

See notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

YEARS ENDED APRIL 30, 1998 AND 1997

1. DESCRIPTION OF BUSINESS

Solid Resources Ltd. (the "Company") is incorporated under the laws of the Province of Alberta.

The consolidated financial statements include the accounts of the Company and its subsidiaries, which are all wholly-owned. The Company's investment in a joint venture is accounted for using the proportionate consolidation method.

2. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates.

Inventories

Inventories are recorded at the lower of cost and replacement cost.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is recorded at rates designed to depreciate the cost of assets over their estimated useful lives on a straight-line basis as follows:

Wireline tools and equipment	10%
Well testing equipment	10%
Automotive and mobile homes	15%
Furniture and equipment	10%
Computer equipment	20%
Leasehold improvements	50%
Buildings	5%
Equipment under capital lease	15%
Electronic gauges	20%

Deferred exploration costs

The Company is engaged in the acquisition, exploration and development of mineral resource properties. These activities are in the pre-production stage, and accordingly all costs, net of incidental revenues, are capitalized. When properties are developed to the stage of commercial production, these costs will be charged against earnings, through unit of production depletion. The costs relating to a property abandoned are written off when the decision to abandon is made. General administration and overhead expenditures are expensed as incurred.

Deferred income taxes

The Company follows the tax allocation basis of accounting for income taxes. Deferred income taxes shown on the financial statements result from timing differences between financial and tax reporting.

continued on next page...

Notes to the Consolidated Financial Statements

YEARS ENDED APRIL 30, 1998 AND 1997

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Monetary balance sheet items are translated into Canadian dollars at the exchange rate in effect at the year end, and income and expense items are translated at the rates prevailing at the transaction date. Gains or losses resulting from translation are included in earnings.

Earnings per share

The effect of the exercise of share purchase options and warrants and conversion of convertible debt would be anti-dilutive to earnings (loss) per share for the years presented.

3. CORPORATE REORGANIZATION

A reorganization of the Solid Resources Ltd. group of companies was undertaken during the year ended April 30, 1998, which eliminated the partnership, Solid Wireline Services, and established a new operating entity, Solid Production Services Ltd., to conduct the domestic wireline and well test service operations of the Company.

4. INVENTORIES

	1998	1997
Wireline consumables	\$ 350,995	\$ 295,034
Testing consumables	28,564	7,264
Other	-	17,770
	<u>\$ 379,559</u>	<u>\$ 320,068</u>

5. DEFERRED EXPLORATION COSTS

On February 15, 1995, the Company entered into an option agreement with related parties to purchase up to a nineteen (19%) percent ownership in certain mineral leases located in the Northwest Territories entitling the Company to earn one percent for every \$100,000 of qualified exploration and development expenditures incurred.

On December 28, 1995, the company acquired a 40% ownership position in the referenced mineral leases. The consideration paid was \$900,000, comprised of \$400,000 cash and \$500,000 by issue of 50,000 common shares of the Company. The purchase was made subject to continuance of a 10% carried interest in profits, in favor of one of the vendors.

The effect of these transactions was that the Company acquired a net 30% interest in any profits generated by development of the mineral leases with the exclusive right to earn up to an additional 19%.

As at April 30, 1998, the Company had spent \$2,021,544 in qualified exploration and development expenditures (1997 - \$1,428,934). These expenditures were made either directly or through a series of "farm-in" agreements with various investors, subject to pre-negotiated put and call agreements to exchange any interest earned for common shares of the Company, and through an agreement to issue flow-through shares to investors.

Notes to the Consolidated Financial Statements

YEARS ENDED APRIL 30, 1998 AND 1997

5. DEFERRED EXPLORATION COSTS (continued)

The result of these transactions as at April 30, 1998, is that the Company owns a 49% interest in any future profits for the referenced mineral leases (April 30, 1997 - 44%).

At April 30, 1998, deferred exploration costs with a net book value of \$1,282,500 (April 30, 1997 - \$770,000) have no cost basis for income tax purposes.

6. PROPERTY AND EQUIPMENT

	1998		
	Cost	Accumulated Depreciation	Net Book Value
Wireline tools and equipment	\$ 3,718,453	\$ 2,766,514	\$ 951,939
Well testing equipment	2,144,562	791,834	1,352,728
Automotive equipment	3,861,022	3,424,804	436,218
Electronic gauges	1,262,275	637,401	624,874
Furniture and equipment	105,013	100,069	4,944
Computer equipment	153,696	105,301	48,395
Mobile homes and buildings	214,069	20,965	193,104
Leasehold improvements	53,294	22,354	30,940
Equipment under capital lease	779,101	605,041	174,060
Land	70,479	-	70,479
	<u>\$ 12,361,964</u>	<u>\$ 8,474,283</u>	<u>\$ 3,887,681</u>
	1997		
	Cost	Accumulated Depreciation	Net Book Value
Wireline tools and equipment	\$ 3,548,129	\$ 2,562,873	\$ 985,256
Well testing equipment	1,640,645	596,565	1,044,080
Automotive equipment	3,727,518	3,330,484	397,034
Electronic gauges	1,194,315	371,384	822,931
Furniture and equipment	103,697	97,597	6,100
Computer equipment	136,568	85,346	51,222
Mobile homes and buildings	60,064	15,689	44,375
Leasehold improvements	27,206	18,062	9,144
Equipment under capital lease	561,421	561,421	-
Land	48,500	-	48,500
	<u>\$ 11,048,063</u>	<u>\$ 7,639,421</u>	<u>\$ 3,408,642</u>

Notes to the Consolidated Financial Statements

YEARS ENDED APRIL 30, 1998 AND 1997

7. INVESTMENT IN JOINT VENTURE

The Company has a fifty (50%) percent interest in a joint venture Cypriot company involved in the development of certain areas of the foreign operations of the Company. The joint venture had no operations in 1998 and 1997 and its assets and liabilities are not significant to the Company.

8. DUE FROM JOINT VENTURE PARTICIPANT

Transactions during the year with the joint venture participant, a related company, consisted of the following:

	1998	1997
Balance, beginning of year	\$ 86,777	\$ 132,254
Interest incurred on loan	(75,324)	(75,324)
Payments to joint venture participant		
Administration fees charged to joint venture participant	77,000	77,000
Payments made on behalf of joint venture participant	-	(47,153)
Balance, end of year	<u>\$ 88,453</u>	<u>\$ 86,777</u>
Balance consists of:		
Receivable from participant	\$ 945,693	\$ 944,017
Payable to participant	<u>857,240</u>	<u>857,240</u>
	<u>\$ 88,453</u>	<u>\$ 86,777</u>

The amount payable to participant bears interest at 10% per annum, is repayable on demand and is secured by the Company's shares in the joint venture (Note 7).

In addition the Company has agreed that in the event the controlling interest in Solid Resources Ltd. is not held by the existing control group or in the event of the Company's bankruptcy, title to the shares held as security will be transferred to the joint venture participant.

The joint venture participant is subject to significant influence by an officer and major shareholder of the Company.

9. BANK INDEBTEDNESS

The Company has arranged with its bankers, a demand, revolving loan facility in the amount of \$1,500,000 for the purpose of financing general operating requirements. Interest is charged at a floating rate equal to the bank's prime rate plus 1.5%. Total loans outstanding are subject to certain margin limitations.

Bank indebtedness, consisting of amounts drawn on the operating line, outstanding cheques, and cash balances amounted to \$1,444,418 at April 30, 1998 (1997 - \$590,396).

Notes to the Consolidated Financial Statements

YEARS ENDED APRIL 30, 1998 AND 1997

9. BANK INDEBTEDNESS (continued)

Security is provided by a General Security Agreement covering the assets of a subsidiary with a carrying value of \$7,943,921, and a guarantee of up to \$2,000,000 by the Company.

The agreement with the bank requires that the subsidiary not exceed capital expenditures of \$500,000 per annum and that the audited financial statements of the subsidiary be provided within 90 days of the fiscal year-end. The Company did not meet these requirements for the year ended April 30, 1998. Management does not believe these covenant violations will affect the status of the bank debt.

10. PROMISSORY NOTES PAYABLE

	1998	1997
Unsecured notes payable, non interest bearing, payable on demand	<u>\$ 75,000</u>	<u>\$ 125,000</u>

11. LONG TERM DEBT

	1998	1997
National Bank demand loan, repayable by monthly payments of \$25,000, plus interest at the bank's prime rate plus 2.5%, maturing October 6, 2003.	<u>\$ 1,350,000</u>	\$ -
Gorhaven Inc. term loan, repayable in full on October 8, 1999, interest at 10% payable monthly.	<u>750,000</u>	750,000
Unsecured notes payable bearing interest at rates varying from 10% to 12% per annum maturing December, 1999.	<u>593,000</u>	474,200
RoyNat Inc. term loan, repayable by monthly payments of \$33,000 plus interest at the lender's cost of funds plus 2.5%, maturing September 15, 1997.	-	207,000
Promissory notes, repayable by monthly graduating payments from \$15,000 to \$50,000 plus interest at 8% per annum, maturing April 30, 1998.	-	170,000
Financing for purchase of equipment, non-interest bearing, repayable by monthly payments ending October 1, 2001, secured by related equipment.	<u>306,203</u>	368,020
Vehicle finance contracts, repayable by monthly payments of \$11,602 including interest at rates ranging From 6.9% to 11.70%, maturing in 1998 and 1999.	<u>-</u>	<u>204,631</u>
	<u>2,999,203</u>	2,173,851
Less current portion	<u>952,366</u>	450,849
	<u><u>\$ 2,046,837</u></u>	<u><u>\$ 1,723,002</u></u>

Notes to the Consolidated Financial Statements

YEARS ENDED APRIL 30, 1998 AND 1997

11. LONG TERM DEBT (continued)

The National Bank demand loan is secured by a General Security Agreement covering the assets of a subsidiary with a carrying value of \$7,943,921, and a guarantee of up to \$2,000,000 by the Company.

Notwithstanding the demand feature of the bank loan, it is classified as long-term debt in accordance with its scheduled repayment terms. The terms of the loan are subject to annual review. The Company has exceeded the capital expenditure covenant on the National Bank demand loan agreement. The lender has advised the Company that, without foregoing any of its rights under the agreement, it does not intend to demand its loans or accelerate repayment.

The Gorhaven Inc. loan is secured by a General Security Agreement subject to postponement in favour of the National Bank security. The loan is convertible at the lenders option to acquire shares of the Company at a price of \$7.50 per share, with warrants to acquire one additional share at a price of \$7.50 per share until October 8, 1999.

Principal repayments of long term debt required in each of the next five years are as follows:

1999	\$ 952,366
2000	1,240,254
2001	339,504
2002	317,079
2003	150,000

12. CONTINGENCY AND COMMITMENTS

Equipment Ownership Contingency

Equipment owned by the Company with a book value of \$410,725 is currently in Venezuela in the possession of a former business partner. The former partner alleges it has suffered damages and asserts it will not release the equipment until its claim is addressed. Management is of the opinion that the Company has enforceable legal ownership of the equipment, the former partner does not have a legitimate claim, and the issue will be resolved without material cost. Future costs, if any, associated with securing the release of the equipment, or the loss, if any, if it is determined that the Company cannot enforce its ownership of all or part of the equipment, will be accounted for in the period in which they are determined.

Operating Leases.

The Company is committed under operating leases on equipment and premises for future minimum lease payments through 2003 as follows:

1999	\$ 526,859
2000	288,798
2001	83,973
2002	23,058
2003	1,027

Notes to the Consolidated Financial Statements

YEARS ENDED APRIL 30, 1998 AND 1997

13. SHARE CAPITAL

Authorized

Unlimited number of common shares.

Issued and to be issued

	Number	Amount
Balance at April 30, 1996	<u>5,332,037</u>	<u>\$ 5,273,901</u>
Common shares issued during the year		
• for cash	61,419	610,382
• share options exercised	61,125	151,250
• issued under terms of put and call agreements (Note 5)	85,556	770,000
• conversion of debt	<u>27,090</u>	<u>280,000</u>
	<u>235,190</u>	<u>1,811,632</u>
Balance at April 30, 1997	<u>5,567,227</u>	<u>7,085,533</u>
Common shares issued during the year		
• for cash	45,500	305,500
• share options exercised	50,000	125,000
• issued under terms of flow through arrangements (Note 5)	77,454	512,500
• purchase of assets	<u>19,013</u>	<u>154,005</u>
	<u>191,967</u>	<u>1,097,005</u>
Common shares to be issued		
• subscriptions	64,935	500,000
- less subscription receivable	<u>(51,948)</u>	<u>(400,000)</u>
	<u>12,987</u>	<u>100,000</u>
Balance at April 30, 1998	<u><u>5,772,181</u></u>	<u><u>\$8,282,538</u></u>

The Company has reserved for issuance common shares pursuant to the exercise of stock options (exclusive of the warrants described in note 11) as follows:

	Number of Shares	Price Per Share	Expiry Date
Employee stock options	55,666	\$ 9.00	Feb 13, 2000
Director stock options	50,000	\$ 8.33	Jun 9, 1999
Director stock options	100,000	\$ 6.57	Jan 13, 2000

Notes to the Consolidated Financial Statements

YEARS ENDED APRIL 30, 1998 AND 1997

14. INCOME TAXES

The Company has a combined federal and provincial statutory tax rate in 1998 of 44.6% (1997 - 44.6%). The income tax provision differs from the amount obtained by applying the combined Canadian federal and provincial income tax rate to net earnings as follows:

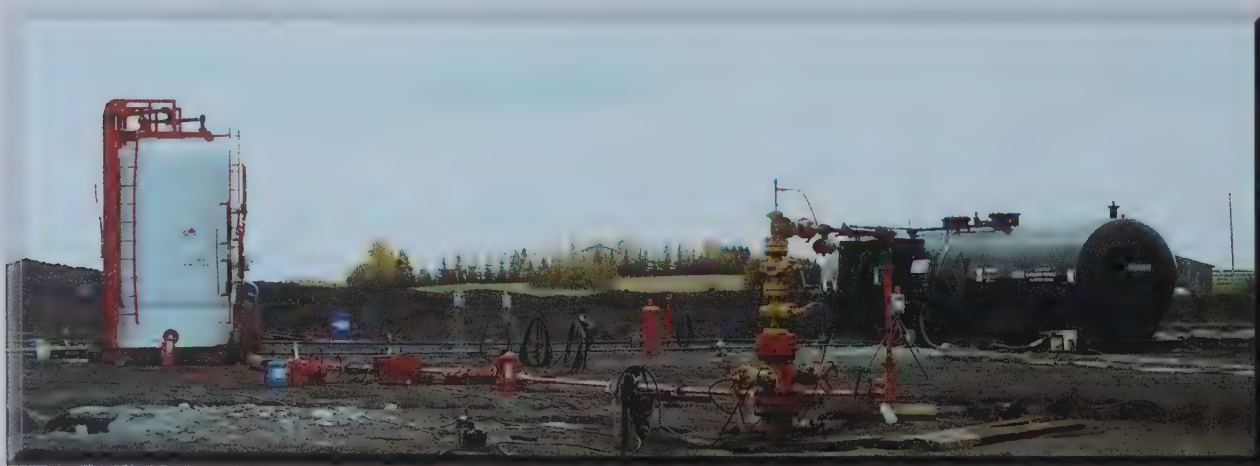
	1998	1997
Expected income tax recovery	\$ (86,000)	\$ (645,000)
Non-deductible losses of joint venture and foreign subsidiary	-	413,000
Benefit of losses of foreign subsidiary not previously recognized	(396,700)	-
Other	55,700	25,000
	<u>\$ (427,000)</u>	<u>\$ (207,000)</u>

The Company has non-capital losses of approximately \$900,000 available to reduce future years taxable income. The losses begin expiring in 2005 and the majority of the losses were incurred in tax jurisdictions outside Canada.

15. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these consolidated financial statements include:

	1998	1997
Notes payable to shareholders	\$1,078,000	\$1,009,200
Notes payable to director	290,000	240,000
Note payable to related company	50,000	50,000
Interest charged on loans from shareholders, director, and related company, included in interest expense	161,216	85,223
Payments to directors and officers for management services	209,910	211,420
Payments to officer for rental equipment	192,000	128,000



Well test of an oil well.

Notes to the Consolidated Financial Statements

YEARS ENDED APRIL 30, 1998 AND 1997

16. SEGMENTED INFORMATION

Industry segments

The Company is engaged in two principal industry segments, gas and oil field services and equipment sales, and the exploration and development of mineral resource properties.

The exploration and development of the mineral resource properties segment is in the pre-production stage and all related expenditures have been capitalized.

Geographic segments

The geographic areas in which the Company operates are Canada, Venezuela, and Tunisia. No geographic segment outside Canada is considered to be significant to the Company in 1998 and 1997. The Company had property and equipment outside Canada with a net book value of \$993,000 at April 30, 1998.

17. FINANCIAL INSTRUMENTS

Fair values

The carrying values of accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these instruments.

The fair value of the Company's long-term debt at April 30, 1998, including the current portion, was approximately \$2,985,000 based on the present value of contractual future payments of principal and interest, discounted at the estimated current market rates of interest available to the Company for the same or similar debt instruments with fixed interest rates. All long-term debt with variable rates is assumed to already be at fair value, and therefore is not revalued.

18. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Five Year Statistical Summary

YEARS ENDED APRIL 30

(\$ thousands except for ratio and share data)

Financial Results

	1998	1997	1996	1995	1994
Revenue	\$ 12,580	\$ 10,670	\$ 9,555	\$ 13,706	\$ 9,287
Earnings (Loss)	234	(1,239)	(1,824)	898	646
Cash flow from (used in) operations	626	152	\$ (1,757)	\$ 2,189	\$ 1,978
Net capital expenditures	1,278	1,029	1,455	1,767	531
Expenditure on Hart Mineral Claims	593	808	1,415	105	-
Repayment of Long-term debt	1,590	436	989	1,011	247

Per Share

Earnings (Loss)	\$ 0.04	\$ (0.23)	\$ (0.38)	\$ 0.20	\$ 0.15
Cash flow from (used in) operations	0.11	0.03	(0.37)	0.50	0.45
Number of common shares	5,772,181	5,567,227	5,332,037	4,366,250	4,366,250

Financial Position

Total assets	\$ 11,189	\$ 9,038	\$ 8,483	\$ 6,859	\$ 5,523
Total liabilities	5,919	5,199	5,216	6,402	6,015
Shareholders' equity (deficiency)	5,270	3,839	3,267	457	(492)
Working Capital (deficiency)	419	145	(1,545)	(401)	(728)
Working Capital Ratio	1.1 : 1	1 : 1	.7 : 1	.9 : 1	.8 : 1
Debt to Equity Ratio	1.1 : 1	1.4 : 1	1.6 : 1	17 : 1	n/a

Map of the Hart Property

ABOVE: Visiting the mine site in 1998 are L to R - K. Delhon, H. Sanche, G. Buchanan and Alvin Harter. RIGHT: Thousands of feet of diamond drill core on the Hart Property. BELOW: Split drill core of high grade zinc-silver ore stored on the Hart Property - results from the "M" zone ore body.



Corporate Information

Domestic Operation

Head Office

505 - 19 Avenue
Nisku, Alberta T9E 7V9
(780) 955-7525

Sales Office

490, 734 - 7 Avenue S.W.
Calgary, Alberta T2P 3P8
(403) 237-6050

District Offices

Drayton Valley, Alberta
(780) 542-6277

Grande Prairie, Alberta
(780) 532-6044

Rainbow Lake, Alberta
(780) 956-3960

Red Deer, Alberta
(403) 347-1416

Whitecourt, Alberta
(780) 778-4440

Nisku, Alberta
(780) 955-7525

Zama, Alberta
(780) 683-2290

Fort St. John, B.C.
(250) 785-8245

Foreign Operations

SOLID CYPRUS
SOLID BARBADOS
SOLID TUNISIA
SOLID ALGERIA
SOLID VENEZUELA

Directors

ALVIN HARTER
Chairman of the Board
President and C.E.O.
Ardrossan, Alberta

ROBERT FOX, P.Eng.
Vice President and C.O.O.
Calgary, Alberta

GARY HORTON*
Ardrossan, Alberta

HARRY MCKINDERS*
Edmonton, Alberta

TERRY ROYER
Sherwood Park, Alberta

BRUCE SANSOM
Edmonton, Alberta

*Audit Committee

website

www.solidresources.com

Officers

ALVIN HARTER
Chairman of the Board
President and C.E.O.

ROBERT FOX, P.Eng.
Vice President and C.O.O.

STEVE CRIBB
Vice President, Finance
Secretary
St. Albert, Alberta

Agents

Teexco, International
Tunis, Tunisia

Target Oilfield Services,
Cairo, Egypt

Al Roumi General Trading
Abu Dhabi, U. A. E.

e-mail

info@solidresources.com

Auditors

KPMG
1200, 205 - 5 Avenue S.W.
Calgary, Alberta

Bankers

National Bank of Canada
10150-100 Street,
Edmonton, Alberta

Transfer Agent

Montreal Trust Company
530 - 8 Avenue S.W.
Calgary, Alberta

Legal Counsel

Bryan & Company
2600 Manulife Place
10180 - 101 Street
Edmonton, Alberta

Stock Exchange Listing

The Alberta Stock Exchange
Trading Symbol - SRW

Wireline equipment on contract to Anadarko
Algeria prior to shipment.



**SOLID
RESOURCES LTD.**

Head Office

505 - 19 Avenue

Nisku, Alberta

Canada T9E 7V9

Phone: (780) 955-7525

Fax: (780) 955-3412

Website:

www.solidresources.com

e-mail:

info@solidresources.com